

Business, Transportation, and Housing

Office of the Secretary of Business, Transportation, and Housing

2004-05	—
2005-06	\$0.5 million

Cinema Scout—The May Revision proposes \$500,000 for an upgrade of the servers and software that support the state’s film location database to make it quicker and easier for filmmakers to find sites for filming in California.

Department of Transportation

2004-05	—
2005-06	\$1.3 billion

California’s transportation funding, even including the local sales taxes enacted in many areas of the state, has been falling behind the rate of increase of driving for decades. More and more of the revenues have been used just to maintain what is an aging infrastructure and to make seismic safety upgrades, rather than to build new roads. This has led to significant increases in congestion. In recognition of this, the voters passed Proposition 42 in 2002, requiring that state sales and use taxes on the sale of motor vehicle fuel be used for public transportation, city and county street and road repairs and improvements, and state highway improvements. Proposition 42 was partially suspended in the 2003 Budget Act and fully suspended in the 2004 Budget Act. With the revenues produced by the improving California economy, the May Revision proposes full funding of Proposition 42 in 2005-06. Combined with \$1 billion promised from tribal gaming revenues when they become available and \$250 million previously budgeted for state staff and operations costs that have been freed up by the new leadership of Caltrans, almost \$2.6 billion more in funds for transportation projects would be provided. This will further expand California’s economy by producing construction jobs in the short run and reducing congestion to speed up goods movement and allow people to spend less time sitting on the freeway and more time with their families at home.

Expenditures: **Business, Transportation, and Housing**

The Governor's current legislative budget control proposal, ACA 4, First Extraordinary Session, would prohibit further suspension of Proposition 42, beginning in 2007-08. Furthermore, ACA 4, First Extraordinary Session, provides for repayment of all past Proposition 42 suspensions in equal annual increments no later than 2021-22.

Proposition 42 Transfer—The Governor's January Budget proposed the full suspension of the 2005-06 Proposition 42 sales tax transfer with repayment over 15 years. The availability of additional one-time revenues now instead permits the Administration to propose \$1.313 billion, the full amount of the Proposition 42 transfer to the Transportation Investment Fund with the following allocation, pursuant to existing law:

- \$678 million to the Traffic Congestion Relief Fund.
- \$254 million to the Transportation Investment Fund (for State Transportation Investment Program projects).
- \$127 million to the Public Transportation Account.
- \$254 million for local streets and roads.

These funds, in combination with the proceeds of the tribal gaming bonds when they become available, would provide nearly a 28 percent increase in state budget funds for transportation over the 2004-05 level. In allocating any additional transportation monies, the Business, Transportation and Housing Agency will work with the California Transportation Commission to give priority to projects with the highest economic impact.

Caltrans Operational Savings—Caltrans has achieved \$51.6 million in current year operational savings, and will achieve permanent savings of \$50 million beginning in 2005-06. These savings are proposed to be redirected towards transportation projects, and would result in the California Transportation Commission being able to program \$251.6 million in additional capital outlay projects in the 2006 Fund Estimate. This more than offsets the reduction in Tribal Gaming revenues discussed below.

Tribal Gaming Bonds—Due to litigation that has been filed against the state, the Governor's January Budget assumed the bonds would be sold in 2005-06 rather than in 2004-05 as was originally anticipated. The Governor's January Budget also assumed that there would be additional compacts negotiated so that the bond proceeds would be sufficient to repay the entire loan amount due to the Traffic Congestion Relief Fund no later than June 30, 2006. The May Revision proposes to reduce the amount that the tribal gaming revenue securitization is expected to generate by \$222 million, reflecting the absence of any new compacts at this time, while not intending to suggest that there will not be additional compacts adopted. Our new assumption is that the bonds and revenues collected prior to issuance will generate \$1 billion. The remaining \$222 million will either be repaid from additional compact revenues to be dedicated to transportation when they are negotiated, or no later than 2021 under the provisions of ACA 4, First Extraordinary Session.

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GoCalifornia Legislation—The Administration has sponsored three pieces of legislation related to its GoCalifornia initiative:

- **AB 850**—This proposal will allow Caltrans to accept private sector investment and authorize franchise agreements with the private sector so that they may then charge tolls to recoup their investment. This proposal would authorize Caltrans to construct and operate value-pricing programs involving High Occupancy Toll (HOT) lanes. In High Occupancy Vehicle (HOV) lanes where ample space is available and travel time can be reduced, HOT lanes can provide an alternative source of revenue by allowing single occupancy vehicles access to those lanes at a flat rate.
- **AB 1266**—Design-sequencing is an approach to construction projects that permits construction activities to begin prior to the full completion of the design phase. This approach is used today in the private sector very successfully.
- **SB 705**—The design-build process will allow Caltrans to select a contractor that will complete both the project design and construction under one agreement. Currently, Caltrans uses the “design-bid-build” process, which utilizes Caltrans engineers to design the project and then awards the construction to a private firm.

The May Revision proposes that these measures be considered budget trailer bills and link their passage to the availability of the Proposition 42 funds. The three-bill GoCalifornia legislative package, along with the Governor’s proposed budget reform Constitutional Amendment, will streamline project delivery, allow for innovative financing, and protect transportation funding.

The Governor’s Budget acknowledged the interrelationship between transportation policy and transportation investment and responsible land use policy. The Governor’s Budget stated the following:

“Transportation policy and investment also must be linked to responsible land use policy. Poor coordination of job generation and housing production has led to more vehicle miles traveled and growth in single-occupant vehicle trips. Community planning should foster more accessibility to services by alternative transportation systems, including pedestrian and bike traffic. The congestion that results from disconnected policy and planning threatens Californians’ health, economy, and environment. Better community design will reduce vehicle trips and decrease demand on the transportation system, helping relieve congestion and lowering pollution emissions. Needed investments in road construction can then have the greatest impact on mobility and economic prosperity.”

Regional Blueprint Plans—To facilitate better community design, the May Revision also proposes to increase federal authority by \$5 million to provide grants to metropolitan planning organizations (MPOs) to produce regional “blueprint” planning documents. MPOs, in cooperation with the Councils of Government, may voluntarily apply for grants to develop plans that will guide future development and land use decisions to promote economic development, while protecting the environment, promoting healthy cities, and reducing unnecessary travel demand. Additionally, the Administration is working with local government and other stakeholders to develop legislation to authorize a revolving

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loan program to fund local General Plan revisions to accommodate more housing, consistent with the improved transportation planning.

Department of Motor Vehicles

2004-05	—
2005-06	\$4.1 million

Verification of Insurance—The May Revision proposes \$4.1 million and 9.5 positions to implement Chapter 920 (SB 1500) and Chapter 948 (AB 2709), Statutes of 2004, which provide for mandatory electronic reporting of vehicle insurance changes and making this information available to law enforcement. The Administration also proposes trailer bill language to extend the implementation of the registration suspension provisions to July 1, 2007, in order to provide the Department of Motor Vehicles (DMV) sufficient time to implement the mandates imposed by these measures.

Chapter 920 requires the DMV to verify insurance has been obtained within 30 days after issuance of a registration card and to suspend, cancel, or revoke the registration of a vehicle when it is determined that the vehicle registration was attained by providing false evidence of financial responsibility or upon notification by an insurance company that the required coverage has been canceled and not reinstated within designated timeframes. Chapter 948 requires the DMV to develop methods by which law enforcement officers may verify that the DMV has received an electronic notification that a policy or bond for the motor vehicle has been issued.

Funding is proposed in the 2005-06 fiscal year for information technology systems development to prepare to implement the bills' provisions.

Department of Housing and Community Development

2004-05	—
2005-06	\$1.0 million

Addressing the Chronically Homeless Initiative—The May Revision includes \$750,000 from the General Fund for technical assistance and predevelopment loans to assist in the creation of shelter and services for chronically homeless persons. As much as \$40 million remaining unused from the last housing bond will be redirected to lend to developers of housing for the mentally ill. These funds will leverage existing tax credits and local funding. Integrated with this is a redirection of \$2.4 million of new Proposition 63 funds to provide rent subsidies and establish collaboratives at the local level to assist counties in developing projects to promote stable housing for homeless persons. It is expected that local government will also contribute from their Proposition 63 funding to provide needed services. The May Revision also includes \$250,000 from the General Fund for interagency coordination of efforts to assist the homeless.